

**WOODLAND HILLS CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2006**

WOODLAND HILLS CITY, UTAH

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2006

	<u>Starting on Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	9
Statement of Activities	10
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS	
Balance Sheet	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	15
Budgetary Comparison Schedule	16
PROPRIETARY FUNDS	
Statement of Net Assets	17
Statement of Revenues, Expenses and Changes in Fund Net Assets	18
Statement of Cash Flows	19
NOTES TO THE FINANCIAL STATEMENTS	21
SUPPLEMENTARY INFORMATION	
SCHEDULE OF IMPACT FEES	35
STATE LEGAL COMPLIANCE REPORT	
INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE	36
GOVERNMENT AUDITING STANDARDS REPORT	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	38

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INDEPENDENT AUDITOR'S REPORT

November 11, 2006

Honorable Mayor
Members of the City Council
Woodland Hills City, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Woodland Hills City, Utah (City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

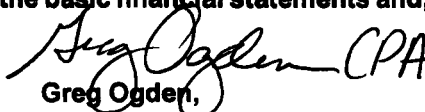
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 11, 2006 on my consideration of Woodland Hills City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Woodland Hills City's basic financial statements. The schedule of impact fees listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of impact fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

 CPA
Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This document is a narrative overview and analysis of the financial activities of The City of Woodland Hills, Utah (Woodland Hills City) for the fiscal year ending June 30, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The total net assets of Woodland Hills City increased by \$386,379 to \$7,450,825. The governmental net assets increased by \$254,778 and the business-type assets increased by \$131,601.
- The total net assets of governmental and business-type activities is \$7,450,825, and is made up \$6,333,397 invested in capital assets, net of related debt, such as land, infrastructure and equipment, and \$1,117,428 in other net assets. The \$1,117,428 in other net assets is made up of \$489,223, which is restricted for Capital Projects in the General Fund, \$79,968 that is reserved for water system capital projects; \$11,482 is restricted for debt service primarily for improvements to our water system. The remaining \$536,755 is unrestricted assets.
- Long term liabilities decreased through normal payments as per their individual amortization schedules.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Woodland Hills City's basic financial statements. Woodland Hills City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Woodland Hills City's finances, in a manner similar to the private sector business.

- ***The statement of net assets*** presents information on all of Woodland Hills City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Woodland Hills City is improving or deteriorating. However, you will also need to consider other non-financial factors.

- ***The statement of activities*** presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Woodland Hills City that are principally supported by taxes and intergovernmental revenues (governmental activities)

from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government wide financial statements can be found on pages 9-11 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Woodland Hills City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- Governmental Funds – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government and operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.
- The only major governmental funds (as determined by generally accepted accounting principals) are the General Fund and Capital Projects Fund.
- Proprietary funds – Woodland Hills City maintains one type of proprietary fund, the enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Woodland Hills City uses an enterprise fund to account for its Culinary Water Utility. As determined by generally accepted accounting principles, the culinary water enterprise fund meets the criteria for major fund classification.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Woodland Hills City, assets exceeded liabilities by \$7,450,825.

Woodland Hills City Net Assets

	Governmental Activities		Business-type Activities	
	2004-2005	2005-2006	2004-2005	2005-2006
Assets				
Current and other assets	\$ 916,254	\$ 774,876	\$ 297,271	\$ 498,859
Capital assets	5,048,014	5,484,725	1,850,425	1,776,963
Total Assets	<u>5,964,268</u>	<u>6,259,601</u>	<u>2,147,696</u>	<u>2,275,822</u>
Liabilities				
Current and other liabilities	69,168	108,570	31,007	54,990
Long-term debt outstanding	-	1,153	947,343	919,885
Total Liabilities	<u>69,168</u>	<u>109,723</u>	<u>978,350</u>	<u>974,875</u>
Net Assets				
Invested in capital assets net of related debt	5,048,014	5,484,725	900,223	848,672
Restricted	17,848	489,223	89,749	91,450
Unrestricted	829,238	175,930	179,374	360,825
Total Net Assets	<u>\$ 5,895,100</u>	<u>\$ 6,149,878</u>	<u>\$ 1,169,346</u>	<u>\$ 1,300,947</u>

Woodland Hills City Changes in Net Assets

	Governmental Activities		Business-type Activities	
	2004-2005	2005-2006	2004-2005	2005-2006
Revenue				
Program Revenues				
Charges for services	\$ 158,081	\$ 214,819	\$ 259,962	\$ 296,099
Operating grants & contributions	380	460	-	-
Capital grants & contributions	45,752	68,367	53,578	83,156
General Revenues				
Property tax	140,667	160,864	-	-
Sales and use tax	87,301	102,513	-	-
Franchise tax	51,708	70,793	-	-
State liquor tax	-	-	-	-
Unrestricted investment earnings	18,687	29,913	6,519	13,375
Lawsuit Settlement	-	100,000	-	-
Miscellaneous	7,595	12,263	-	-
Total Revenues	<u>510,171</u>	<u>759,992</u>	<u>320,059</u>	<u>392,630</u>
Expenses				
General government	129,229	183,902	-	-
Public safety	133,241	155,690	-	-
Highways & public works	149,312	165,622	-	-
Water utility	-	-	259,320	261,029
Total Expenses	<u>411,782</u>	<u>505,214</u>	<u>259,320</u>	<u>261,029</u>
Increase in Net Assets	98,389	254,778	60,739	131,601
Net Assets - Beginning (restated)	5,683,437	5,895,100	1,108,607	1,169,346
Prior Period Adjustments	113,274	-	-	-
Net Assets - Ending	<u>\$ 5,895,100</u>	<u>\$ 6,149,878</u>	<u>\$ 1,169,346</u>	<u>\$ 1,300,947</u>

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2006, the City's governmental funds (General and Capital Projects) reported combined fund equity of \$523,674. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Tax revenues continue to be the largest source of revenue in the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – Woodland Hills City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$7,261,688 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure (streets, rock-line ditches, etc), and machinery and equipment.

Major capital asset events during the current fiscal year include the following:

- The start of an addition to the fire station
- Purchase of a new fire brush truck
- Continued construction on the city mailbox location
- Purchase of a City maintenance truck

WOODLAND HILLS CITY'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities	
	2004-2005	2005-2006	2004-2005	2005-2006
Capital Assets not being Depreciated				
Land	\$ 3,459,151	\$ 3,459,151	\$ 68,198	\$ 68,198
Water Shares and rights	-	-	319,754	319,754
Construction in progress	6,261	370,874	-	-
Capital Assets being Depreciated				
Buildings and structures	216,397	216,397	-	-
Improvements and infrastructure	2,006,215	2,035,813	2,575,711	2,583,831
Machinery and equipment	136,954	239,993	-	5,825
Total Capital Assets	5,824,978	6,322,228	2,963,663	2,977,608
Less Accumulated Depreciation	(776,964)	(837,503)	(1,113,238)	(1,200,645)
Net Capital Assets	\$ 5,048,014	\$ 5,484,725	\$ 1,850,425	\$ 1,776,963

Long-term debt- At June 30, 2006, Woodland Hills City had total debt outstanding of \$919,501. The majority of Woodland Hills City's long term, \$716,000, is debt secured solely by specific revenue sources (i.e., revenue bonds within the Enterprise Funds).

WOODLAND HILLS CITY'S OUTSTANDING DEBT

	Governmental Activities		Business-type Activities	
	2004-2005	2005-2006	2004-2005	2005-2006
Capital Lease	\$ -	\$ -	\$ 230,343	\$ 203,501
Revenue Bonds	-	-	717,000	716,000
Total Outstanding Debt	\$ -	\$ -	\$ 947,343	\$ 919,501

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Woodland Hills will complete a major renovation on their fire station, complete a new central mailbox center. Continued work on our water system and roads are major factors in the 2006-2007 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Woodland Hills City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

City of Woodland Hills
Attn: Financial Director
200 S. Woodland Hills Drive
Woodland Hills, Utah 84653

BASIC FINANCIAL STATEMENTS

WOODLAND HILLS CITY, UTAH

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities	Business-type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 27,031	\$ 419,622	\$ 446,653
Accounts Receivable	192,685	43,094	235,779
Internal Balances	<u>55,307</u>	<u>(55,307)</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>275,023</u>	<u>407,409</u>	<u>682,432</u>
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	499,853	91,450	591,303
Capital Assets			
Non Depreciable	3,830,025	387,952	4,217,977
Depreciable Assets (net of Depreciation)	<u>1,654,700</u>	<u>1,389,011</u>	<u>3,043,711</u>
TOTAL NONCURRENT ASSETS	<u>5,984,578</u>	<u>1,868,413</u>	<u>7,852,991</u>
TOTAL ASSETS	<u>6,259,601</u>	<u>2,275,822</u>	<u>8,535,423</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	<u>108,570</u>	<u>54,990</u>	<u>163,560</u>
TOTAL CURRENT LIABILITIES	<u>108,570</u>	<u>54,990</u>	<u>163,560</u>
NONCURRENT LIABILITIES			
Due Within One Year	1,153	30,330	31,483
Due in more than One Year	<u>-</u>	<u>889,555</u>	<u>889,555</u>
TOTAL NONCURRENT LIABILITIES	<u>1,153</u>	<u>919,885</u>	<u>921,038</u>
TOTAL LIABILITIES	<u>109,723</u>	<u>974,875</u>	<u>1,084,598</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	5,484,725	848,672	6,333,397
Restricted for Debt Service	-	11,482	11,482
Capital Projects	489,223	79,968	569,191
Unrestricted	<u>175,930</u>	<u>360,825</u>	<u>536,755</u>
TOTAL NET ASSETS	<u>\$ 6,149,878</u>	<u>\$ 1,300,947</u>	<u>\$ 7,450,825</u>

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$ 183,902	\$ 138,469	\$ -	\$ -
Public Safety	155,690	26,494	460	16,798
Highways and Public Works	165,622	49,856	-	51,569
Total Governmental Activities	505,214	214,819	460	68,367
Business-type Activities				
Water	261,029	296,099	-	83,156
Total Business-type Activities	261,029	296,099	-	83,156
TOTAL PRIMARY GOVERNMENT	\$ 766,243	\$ 510,918	\$ 460	\$ 151,523

General Revenues

Property Taxes

Vehicle Taxes

Sales Taxes

Franchise Taxes

Unrestricted Investment Earnings

Miscellaneous

Special Item

Proceeds from Lawsuit

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (45,433)	-	\$ (45,433)
(111,938)	-	(111,938)
<u>(64,197)</u>	<u>-</u>	<u>(64,197)</u>
<u>(221,568)</u>	<u>-</u>	<u>(221,568)</u>
<u>-</u>	<u>118,226</u>	<u>118,226</u>
<u>-</u>	<u>118,226</u>	<u>118,226</u>
<u>(221,568)</u>	<u>118,226</u>	<u>(103,342)</u>
147,516	-	147,516
13,348	-	13,348
102,513	-	102,513
70,793	-	70,793
29,913	13,375	43,288
12,263	-	12,263
<u>100,000</u>	<u>-</u>	<u>100,000</u>
<u>476,346</u>	<u>13,375</u>	<u>489,721</u>
<u>254,778</u>	<u>131,601</u>	<u>386,379</u>
<u>5,895,100</u>	<u>1,169,346</u>	<u>7,064,446</u>
<u>\$ 6,149,878</u>	<u>\$ 1,300,947</u>	<u>\$ 7,450,825</u>

WOODLAND HILLS CITY, UTAH

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2006

	<u>Governmental-type Activities</u>		<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 27,031	\$ -	\$ 27,031
Restricted Cash	39,375	460,478	499,853
Accounts Receivable	6,702	-	6,702
Taxes Receivable	175,248	-	175,248
Class C Road Receivable	10,735	-	10,735
Interfund Note Receivable	55,307	-	55,307
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 314,398	\$ 460,478	\$ 774,876
	<u> </u>	<u> </u>	<u> </u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 62,441	\$ 10,630	\$ 73,071
Developer Bonds Payable	35,499	-	35,499
Deferred Revenue	141,479	-	141,479
Compensated Absences	1,153	-	1,153
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	240,572	10,630	251,202
	<u> </u>	<u> </u>	<u> </u>
<u>FUND BALANCE</u>			
Reserved			
Class C Roads	39,375	-	39,375
Capital Projects	-	449,848	449,848
Unreserved	34,451	-	34,451
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND EQUITY	73,826	449,848	523,674
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 314,398	\$ 460,478	\$ 774,876
	<u> </u>	<u> </u>	<u> </u>

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

TOTAL GOVERNMENTAL FUNDS BALANCES **\$ 523,674**

*Amounts reported for governmental activities in the statement of
net assets are different because*

Capital assets used in governmental activities are not current financial
resources and, therefore, are not reported in the funds **5,484,725**

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are deferred in the funds **141,479**

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 6,149,878**

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	<u>Governmental-type Activities</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>	
<u>REVENUES</u>			
Taxes	\$ 310,054	\$ -	\$ 310,054
Licenses and Permits	117,694	-	117,694
Intergovernmental	68,827	-	68,827
Charges for Services	97,125	-	97,125
Interest	12,999	16,914	29,913
Miscellaneous	12,263	-	12,263
TOTAL REVENUES	618,962	16,914	635,876
<u>EXPENDITURES</u>			
General Government	183,066	45,411	228,477
Public Safety	201,290	319,203	520,493
Highways and Public Works	192,955	-	192,955
TOTAL EXPENDITURES	577,311	364,614	941,925
EXCESS OF REVENUES OVER EXPENDITURES	41,651	(347,700)	(306,049)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from Other Funds	-	250,000	250,000
Proceeds from Lawsuit	100,000	-	100,000
Transfers to Other Funds	(250,000)	-	(250,000)
NET OTHER FINANCING SOURCES AND USES	(150,000)	250,000	100,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	(108,349)	(97,700)	(206,049)
BEGINNING FUND BALANCE	182,175	547,548	729,723
ENDING FUND BALANCE	\$ 73,826	\$ 449,848	\$ 523,674

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER
EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS \$ (206,049)

*Amounts reported for governmental activities in the statement of
activities are different because*

Property taxes will not be collected for several months after the City's
fiscal year end. They are not considered to be available revenues in
the governmental funds. Deferred property tax revenues increased by
this amount this year. 24,116

Governmental funds report capital outlays as expenditures. In the
statement of activities the cost of those assets is allocated over their
estimated useful lives as depreciation expense. This is the amount by
which capital outlays exceeded depreciation in the current period. 436,711

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS \$ 254,778

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	with Final Budget
REVENUES				
Taxes	\$ 235,932	\$ 280,525	\$ 310,054	\$ 29,529
Licenses and Permits	140,600	140,600	117,694	(22,906)
Intergovernmental	47,300	66,121	68,827	2,706
Charges for Services	57,525	102,396	97,125	(5,271)
Interest	3,000	12,000	12,999	999
Miscellaneous	5,000	11,000	12,263	1,263
 TOTAL REVENUES	 489,357	 612,642	 618,962	 6,320
EXPENDITURES				
General Government	239,975	199,700	183,066	16,634
Public Safety	92,100	219,300	201,290	18,010
Highways and Public Works	218,850	229,950	192,955	36,995
 TOTAL EXPENDITURES	 550,925	 648,950	 577,311	 71,639
 EXCESS OF REVENUES OVER EXPENDITURES	 (61,568)	 (36,308)	 41,651	 77,959
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	33,789	-	(33,789)
Proceeds from Lawsuit	-	100,000	100,000	-
Transfers to Other Funds	-	(256,000)	(250,000)	6,000
 NET OTHER FINANCING SOURCES AND USES	 -	 (122,211)	 (150,000)	 (27,789)
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	 (61,568)	 (158,519)	 (108,349)	 50,170
 FUND BALANCE ALLOCATION	 61,568	 158,519	 -	 (158,519)
 EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	 \$ -	 \$ -	 \$ (108,349)	 \$ (108,349)

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2006

	Business-type Activities Enterprise Fund Water
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 419,622
Accounts Receivable	43,094
TOTAL CURRENT ASSETS	462,716
NONCURRENT ASSETS	
Restricted Assets	
Cash and Cash Equivalents	91,450
Capital Assets	
Land	68,198
Water Shares and Rights	319,754
Improvements	2,583,831
Machinery and Equipment	5,825
Less Accumulated Depreciation	(1,200,645)
TOTAL NONCURRENT ASSETS	1,868,413
TOTAL ASSETS	2,331,129
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	31,000
Customer Deposits	15,200
Accrued Interest Payable	8,790
Interfund Note Payable	55,307
Compensated Absences	384
Current Portion of Long-Term Debt	29,946
TOTAL CURRENT LIABILITIES	140,627
NONCURRENT LIABILITIES	
Leases Payable	175,555
Bonds Payable	714,000
TOTAL NONCURRENT LIABILITIES	889,555
TOTAL LIABILITIES	1,030,182
NET ASSETS	
Investment in Capital Assets, Net of Related Debt	848,672
Designated	
Capital Improvements	236,591
Replacement of Capital Assets	6,489
Restricted	
Bond Requirements	11,482
Impact Fees	79,968
Unrestricted	117,745
TOTAL NET ASSETS	\$ 1,300,947

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities
	<u>Enterprise Fund</u>
	<u>Water</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 285,699
Connection Fees	<u>10,400</u>
TOTAL OPERATING REVENUES	<u>296,099</u>
<u>OPERATING EXPENSES</u>	
Salaries, Wages and Benefits	17,523
Production and Maintenance	119,733
Depreciation	<u>87,408</u>
TOTAL OPERATING EXPENSES	<u>224,664</u>
OPERATING INCOME	<u>71,435</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Impact Fees	83,156
Interest Income	13,375
Interest Expense	<u>(36,365)</u>
NET NON-OPERATING REVENUES (EXPENSES)	<u>60,166</u>
CHANGE IN NET ASSETS	131,601
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>1,169,346</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 1,300,947</u>

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities
	<u>Enterprise Fund</u>
	<u>Water</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers	\$ 290,305
Payments to Suppliers	(105,281)
Payments to Employees	<u>(17,139)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>167,885</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Repayment of Interfund Note Payable	<u>(1,000)</u>
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>(1,000)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Impact Fees	83,156
Acquisition of Capital Assets	(13,945)
Bond and Note Principal Payments	(27,843)
Interest Expense	<u>(30,434)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>10,934</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Income	<u>13,375</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>13,375</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	191,194
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>319,878</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 511,072</u>

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities
	<u>Enterprise Fund</u>
	<u>Water</u>
<u>RECONCILIATION OF OPERATING</u>	
<u>INCOME TO NET CASH FLOWS FROM</u>	
<u>OPERATING ACTIVITIES</u>	
Operating Income	\$ 71,435
Adjustments	
Depreciation	87,408
Changes in Assets and Liabilities	
Accounts Receivable	(9,394)
Accounts Payable	14,452
Customer Deposits	3,600
Compensated Absences	<u>384</u>
NET CASH FLOWS FROM OPERATING	
ACTIVITIES	<u>\$ 167,885</u>

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Woodland Hills City, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

Financial Reporting Entity

Woodland Hills City was incorporated under the laws of the State of Utah. The City is governed by an elected five-member Council and Mayor. The City provides municipal services under the following organizational structure:

General Government: Mayor and City Council, Finance Director, Treasurer
and Recorder

Public Safety: Police, Fire, Animal Control and Emergency Medical Services

Public Works: Streets, Water, and Sanitation

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *capital projects fund* is used to account for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The *road capital projects fund* is used to account for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The City reports the following major proprietary fund:

The *water fund* accounts for the activities of the City's water production, treatment and distribution operations.

Activities of this fund include administration, operations and maintenance of the water system, billing and collection. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for proprietary fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

NOTE 1 - (CONTINUED)

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Receivables and payables

Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances".

C. Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as restricted cash on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

D. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

NOTE 1 - (CONTINUED)

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and Structures	25-50 years
Improvements and Infrastructure	10-50 years
Machinery and Equipment	5-15 years

E. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

F. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the City's management for specific purposes. These represent tentative management plans that are subject to change.

G. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 1 - (CONTINUED)

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. . These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

Deferred Revenue

Property taxes due November 30, 2006 and unpaid from 2005 are shown as deferred revenue.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	\$ 3,459,151
Construction in Progress	370,874
Buildings and Structures	216,397
Improvements and Infrastructure	2,035,813
Machinery and Equipment	239,993
Less Accumulated Depreciation	(837,503)
Net Capital Asset Difference	<u>\$ 5,484,725</u>

NOTE 2 - (CONTINUED)

Other Long-Term Asset Differences

Property taxes due in November 2006 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2006	\$ <u>141,479</u>
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Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	\$ 497,250
Depreciation Expense	<u>(60,539)</u>
Net Difference	\$ <u>436,711</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

NOTE 3 - (CONTINUED)

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30th.

NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

Deposits and investments for City government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Council (the Council). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$18,399 of the City's bank balances of \$118,399 were uninsured and uncollateralized.

NOTE 4 - (CONTINUED)

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The City government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

The following are the City's investments at June 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund (PTIF)	\$ <u>968,763</u>	\$ <u>968,763</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 69,193
Investments	<u>968,763</u>
Total	\$ <u>1,037,956</u>
Cash and Cash Equivalents	\$ 446,653
Restricted Cash and Cash Equivalents	<u>591,303</u>
Total	\$ <u>1,037,956</u>

NOTE 5 - RECEIVABLES

Accounts receivable at June 30, 2006 are presented in the schedule below.

Property taxes are levied on January 1 of 2006, are due in November of 2006, and are budgeted for the 2006 fiscal year. Even though they are not intended to fund the 2006 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the City.

The following is a summary of receivables at June 30, 2006:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 6,702	\$ 43,094	\$ 49,796
Property Taxes Receivable	175,248	-	175,248
Class C Road Receivable	<u>10,735</u>	<u>-</u>	<u>10,735</u>
Total	<u>\$ 192,685</u>	<u>\$ 43,094</u>	<u>\$ 235,779</u>

NOTE 6 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2006.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 3,459,151	\$ -	\$ -	\$ 3,459,151
Construction in Progress	6,261	364,613	-	370,874
Capital Assets being Depreciated				
Buildings and Structures	216,397	-	-	216,397
Improvements and Infrastructure	2,006,215	29,598	-	2,035,813
Machinery and Equipment	<u>136,954</u>	<u>103,039</u>	<u>-</u>	<u>239,993</u>
Total	5,824,978	497,250	-	6,322,228
Less Accumulated Depreciation	<u>(776,964)</u>	<u>(60,539)</u>	<u>-</u>	<u>(837,503)</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,048,014</u>	<u>\$ 436,711</u>	<u>\$ -</u>	<u>\$ 5,484,725</u>

NOTE 6 - (CONTINUED)

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2006.

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 68,198	\$ -	\$ -	\$ 68,198
Water Shares and Rights	319,754	-	-	319,754
Capital Assets being Depreciated				
Improvements and Infrastructure	2,575,711	8,120	-	2,583,831
Machinery and Equipment	-	5,825	-	5,825
Total	2,963,663	13,945	-	2,977,608
Less Accumulated Depreciation	(1,113,238)	(87,407)	-	(1,200,645)
Business-type Activities Capital Assets, Net	\$ <u>1,850,425</u>	\$ <u>(73,462)</u>	\$ <u>-</u>	\$ <u>1,776,963</u>

Depreciation was charged to the functions/programs of the primary government as follows:

Government Activities	
General Government	\$ 835
Public Safety	10,555
Highways and Public Works	49,149
Total Depreciation Expense-Governmental Activities	\$ <u>60,539</u>
Business-type Activities	
Water	\$ <u>87,408</u>

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts Payable	\$ 73,071	\$ 31,000
Developer Bonds Payable	35,499	-
Customer Deposits	-	15,200
Accrued Interest Payable	-	8,790
Total Accounts Payable and Accrued Liabilities	\$ <u>108,570</u>	\$ <u>54,990</u>

NOTE 8 - INVESTMENT IN JOINT VENTURE

South Utah Valley Solid Waste District

The City is party to a joint venture with several other municipalities in the South Utah Valley Solid Waste District (the District). The District was created for the purpose of building a landfill and transfer station and operating the same for the benefit of member municipalities. The majority of the District's solid waste revenue comes from these governmental entities. Additional information is as follows:

- a. Participants are Woodland Hills City, Provo City, Springville City, Spanish Fork City, Mapleton City, Salem City and Goshen Town.
- b. The District is governed by a board of directors, which is comprised of seven members. The mayor and city council of each member city appoints one director. All decisions of the board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo City to prevail in a tie vote, they would need one additional city to vote with them.
- c. The District's Board of directors governs the operations of the District through management employed by the board. The district is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal management, budgeting and financing.
- d. Summary financial information as of the joint venture's last fiscal year end for which an audit has been completed, June 30, 2005, is as follows:

	<u>South Utah Valley Solid Waste District</u>
Total Assets	\$ 16,642,235
Total Liabilities	<u>(2,981,242)</u>
Net Assets	<u>\$ 13,660,993</u>
Operating Revenues	\$ 3,845,261
Operating Expenditures	<u>(3,858,288)</u>
Net Operating Income (Loss)	(13,027)
Total Non-Operating Income (Expense)	<u>159,402</u>
Net Income (Loss)	<u>\$ 146,375</u>

- e. The joint venture has the following long-term debt:

	<u>South Utah Valley Solid Waste District</u>
Closure and Postclosure Liability	\$ 2,691,748
Accrued Compensated Absences	<u>157,219</u>
Total Long-Term Liabilities	<u>\$ 2,848,967</u>

- f. Audited financial statement for the south Utah Valley Solid Waste district are available at the District offices, 2450 West 400 South, Springville, Utah.

NOTE 9 - CAPITAL LEASES

The City entered into a lease/purchase agreement with Zions First National Bank to finance the construction of a water booster station. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded as a capital asset at the present value of the future minimum lease payments as of the inception date, after the completion of the project, in the water fund. This agreement contains a fiscal non-funding clause, which give the City the option of terminating the agreement at the end of any fiscal year. In the opinion of City management, the likelihood of this clause being exercised is remote.

The following is a schedule of yearly future lease payments on the capital lease and the present value of the net minimum lease payments on June 30, 2006:

<u>Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 35,767
2008	35,767
2009	35,767
2010	35,767
2011	35,767
2012-2013	<u>53,648</u>
Total Minimum Lease Payments	232,483
Interest Portion	<u>(28,982)</u>
Present Value of Net Minimum Lease Payments	203,501
Amount Due Within One Year	<u>(27,946)</u>
Amount Due in more than One Year	<u>\$ 175,555</u>

NOTE 10 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type Activities</u>					
Revenue Bonds					
1996 Parity Water	\$ 717,000	\$ -	\$ (1,000)	\$ 716,000	\$ 2,000
Capital Leases					
2003 Booster Station	230,343	-	(26,842)	203,501	27,946
Compensated Absences	<u>-</u>	<u>384</u>	<u>-</u>	<u>384</u>	<u>384</u>
	<u>\$ 947,343</u>	<u>\$ 384</u>	<u>\$ (27,842)</u>	<u>\$ 919,885</u>	<u>\$ 30,330</u>

NOTE 10 - (CONTINUED)

Long-term debt and obligations payable at June 30, 2006 were as follows:

<u>Business-type Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Bonds Payable				
Water Revenue Bonds, Series 1996 (original amount--\$717,000)	3.0%	2020	\$ 2,000	\$ 714,000
Leases Payable				
Booster Station (original amount-- \$281,830)	3.9%	2013	27,946	175,555
Compensated Absences			<u>384</u>	<u>-</u>
Total Business-type Activities Long-term Debt			<u>\$ 30,330</u>	<u>\$ 889,555</u>

Principal and interest requirements to retire the City's long-term obligations are as follows:

	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 29,946	\$ 29,301
2008	32,095	28,092
2009	65,291	26,805
2010	68,537	24,510
2011	71,834	22,103
2012-2015	342,798	76,401
2016-2020	<u>309,000</u>	<u>23,730</u>
	<u>\$ 919,501</u>	<u>\$ 230,942</u>

NOTE 11 - CONDUIT DEBT OBLIGATIONS

The City assisted a Special Improvement District to obtain bonds for the Thousand Oaks Project. The bonds are secured and are solely payable by the property owners. Neither the City, the State or any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the outstanding principal balance was \$995,000.

NOTE 12 - RESERVED AND DESIGNATED FUND EQUITY

The Class "C" Roads allotment from the state excise tax is reserved for construction and maintenance of City streets and roads. The City's bond covenants require certain reservations of retained earnings in the water fund. Utah State statute requires unexpended impact fees held at year-end to be reserved for future expansion in the charging department or fund. Other amounts have been designated for future capital improvement projects.

NOTE 13 - INTERFUND RECEIVABLES AND PAYABLES

The City has the following interfund loans outstanding at June 30, 2006:

<u>Payable Fund</u>	<u>Amount</u>
Water	<u>\$ 55,307</u>
<u>Receivable Fund</u>	
General	<u>\$ 55,307</u>

NOTE 14 - OPERATING TRANSFER RECONCILIATION

The operating transfers between funds during the 2006 fiscal year are as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ -	\$ 250,000
Capital Projects Fund	<u>250,000</u>	<u>-</u>
	<u>\$ 250,000</u>	<u>\$ 250,000</u>

NOTE 15 - RISK MANAGEMENT

Woodland Hills City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other governments in the State of Utah to form the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah State governments. The City pays an annual premium to ULGT for its general insurance coverage.

The City also carries comprehensive general liability insurance coverage through a commercial insurance company. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

WOODLAND HILLS CITY, UTAH
SCHEDULE OF IMPACT FEES
JUNE 30, 2006

Woodland Hills City collects water impact fees. The following is a recap of the impact fees outstanding at June 30, 2006, listed by year of collection:

<u>Year Collected</u>	<u>Water</u>
2006	<u>\$ 79,968</u>
Total	<u>\$ 79,968</u>

The following capital projects are planned to use the impact fees shown above:

<u>Capital Project Planned</u>	<u>Projected Cost</u>	<u>Estimated Starting Date</u>	<u>Type of Impact Fee</u>
Water line loops between Woodland Hills Drive and Oak Drive	\$112,020	May 2007	Water

STATE LEGAL COMPLIANCE REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

November 11, 2006

**The Honorable Mayor
Members of the City Council
City of Woodland Hills, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Woodland Hills, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued my report thereon dated November 11, 2006. As part of my audit, I have audited the City of Woodland Hills's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

**"C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)**

The City also received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However this program was subject to testwork as part of the audit of the City's financial statements.)

Fire Department Grant

My audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

**Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property
Tax Limitations
Class C Road Funds**

**Other General Issues
Uniform Building Code Standards
Liquor Law Enforcement
Justice Court
Impact Fees
Asset Forfeiture**

The management of the City of Woodland Hills is responsible for the City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. I considered these instances of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, the City of Woodland Hills, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.


Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 11, 2006

Honorable Mayor
Members of the City Council
City of Woodland Hills, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Woodland Hills, Utah, (City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued my report thereon dated November 11, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Woodland Hills City, Utah's control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Woodland Hills, Utah's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, others within the organization, management, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.


Greg Ogden,
Certified Public Accountant

CITY OF WOODLAND HILLS

MANAGEMENT LETTER
JUNE 30, 2006

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

November 11, 2006

**The Honorable Mayor
Members of the City Council
City of Woodland Hills, Utah**

Council Members:

The primary purpose of my audit of the financial statements of the City of Woodland Hills, Utah for the year ended June 30, 2006, was to enable me to form an opinion as to the financial position of the City at that date and the results of its operations for the year then ended. Part of my continuing professional responsibility to my clients is to offer constructive suggestions relative to the City's internal control structure and other matters that come to my attention during my audit of your financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

Enclosed for your information and consideration are my comments and suggestions relating to internal accounting controls and other general matters which came to my attention during my audit of the financial statements. I have not performed any auditing procedures beyond the date of my opinion on the financial statements; accordingly, this letter is based on my knowledge as of that date and should be read with that understanding.

In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2006. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

My suggestions deal exclusively with operational, accounting, and recordkeeping systems and procedures, and should not be regarded as a reflection on the integrity or capabilities of anyone in your organization.

I appreciate the cooperation and assistance I have received from the City's personnel in connection with my audit and in developing these recommendations.

This report is intended solely for the use of the management of the City of Woodland Hills. However, this report is a matter of public record and its distribution is not limited.

I would be pleased to discuss any of these matters with you and your representatives at your convenience and, if desired, to assist you in implementing any of these suggestions.


**Greg Ogden,
Certified Public Accountant**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE COMPLIANCE FINDINGS

FINDING - FINANCIAL STATEMENTS NOT SENT TO UDOT

The City is required to send a copy of the financial statements to the Utah Department of Transportation each year. No copy of the 2005 financial statements was sent.

RECOMMENDATION

I recommend that a copy of the financial statements should be sent each year, as required.

RESPONSE - WOODLAND HILLS CITY

We will submit a copy of the financial statements to the Utah Department of Transportation each year.

FINDING - CLASS C ROAD PROJECT ADVERTISING

The City is required to advertise in a local newspaper for three weeks any project for which Class C Road funds will be used. The City did not advertise road projects in the 2006 fiscal year as required.

RECOMMENDATION

I recommend that the City advertise road projects as required.

RESPONSE - WOODLAND HILLS CITY

The City will advertise road projects for three weeks as required.